cost of production. In agriculture, the author tells us, no real advance was made by the competition among farmers, but the increased rents were paid out of capital so that half the farmers became bankrupt in spite of all savings that could be made from expenses and wages. This may be a telling argument when addressed to the farmers who naturally desire a good price for their grain. But as it is maintained throughout that the movement in favor of a corn duty owes its strength to the manufacturers who are seeking to inaugurate a system of protection in England, and as their interest plainly requires cheap food, there seems to be an inconsistency somewhere. To avoid this it is held that the real movers for protection are merely seeking to use the farmers to get the system started, and that the duty on grain will be dropped when the first pressure comes. The author certainly did not learn this from the chapter of history, for that shows the corn laws to have been the backbone of the English protective system, and with their abolition protection received its death blow.

The book is of interest chiefly as an indication of the recent movement in favor of protection, which agricultural distress, general industrial depression and other causes have generated in free trade England. W. H.

The Independent Treasury of the United States. By DAVID KINLEY, A.B. New York: T. Y. Crowell & Co. 1893. 8vo. pp. 329.

A Brief History of Panics. By CLEMENT JUGLAR. Englished and Edited by DECOURCY W. THOM. New York: G. P. Putnam's Sons, 1893. 8vo. pp. 147.

AT a time when the public mind may be presumed to be in an unusually receptive mood toward instruction on all subjects whose investigation promises to throw new light into the intricacies of the monetary situation, the appearance of a volume devoted to an examination of the sub-treasury system is peculiarly welcome. The main purpose of Mr. Kinley's study is to set forth, through an analysis of the effect of its operations on the money market, the influence exerted by the Independent Treasury on the business of the country. Of the existence of such an influence the speculative public, at least, has long been aware; but of its character and extent little has been known. The subject is one that has never, since the first establishment of the sys-

tem, received either the amount or the kind of attention to which its importance entitles it. The Independent Treasury has had its partisan champions and critics, but it has, for the first time, found a scientific analyst in Mr. Kinley. He has produced a book which, whether it be regarded as altogether satisfactory or not, will certainly not fail to stimulate an interest in the workings of an institution which must, sooner or later, become a subject for legislative consideration, and which can be the more intelligently considered because of the arsenal of material that Mr. Kinley has provided for this purpose. It cannot, indeed, be said that he has always written with that complete freedom from bias which is required in order to reach a well-balanced estimate of an institution having such manifold relations as the Independent Treasury; at times his book partakes rather more of the character of an argument than of an examination. Considering the nature of his purpose, it may, perhaps, be regarded as a pardonable fault that he should exhibit a keener vision for the defects than for the merits of the sub-treasury system. The latter have not, indeed, escaped his attention; but his zeal as a critic and his impatience as a reformer have sometimes led him to estimate them at less than their real worth. His attitude is well explained by the frank avowal of recent conversion made in the preface: "The essay was begun with a prejudice in favor of the sub-treasury system, because it seemed preëminently an institution of the people. But as a result of the investigation I have been forced to change my opinion, and regard the system as injurious to the business interests of the country." It results very naturally from this that his work should be found much better as a criticism than as an estimate. The criticism that may fairly be made of the book as a whole is, that the writer has allowed his point of view to be too much influenced by an almost exclusive regard for the interests of the public, without taking sufficient account of the necessities of the government. The point of view of public interest, although essentially the right one to adopt in a discussion of the currency question, pure and simple, may easily, if followed too closely in the investigation of an institution that was largely designed to relieve the government from onerous responsibility for the condition of the currency, lead to incomplete conclusions. For, whatever the unexpected and, perhaps, inevitable disturbances to which the operations of the Independent Treasury have at times exposed the business community, it should be reckoned no slight service by the financial historian that this institution,

created at a time when the public finances were badly disordered and the public mind seemed hopelessly demoralized, should have provided effectually for the safety of the public money and the maintenance of the specie standard, and thus have infused a new element of stability into both public and private business, and have elevated the standard of banking.

The policy of the United States has been one of great vacillation in the matter of keeping the treasury deposits. Under the act organizing the treasury department the treasurer was charged with the duty of receiving and keeping the public money, but no place of deposit was provided by law. The convenient practice of utilizing the banks for this purpose grew up without any special sanction of law, and remained the customary system of the government for over a quarter of a century. Throughout the twenty years of its existence the first Bank of the United States was the chief depository, although some of the state banks were allowed to share in the privilege of holding deposits from time to time. On the expiration of the charter of the national bank in 1811, the state banks were made the regular fiscal agents of the government by Secretary Gallatin, and they continued to enjoy its patronage until supplanted by the second national bank in 1816. Up to about this time the government also received and paid out the notes of the banks, although the revenue collection laws provided for the payment of duties in coin. The practice of the treasury, however, was thought to be no violation of the law, since it would have been a contradiction to refuse the notes of banks that were entrusted with the safe-keeping of the public money. The policy of using the banks and their paper proved to be a very ruinous method of fiscal administration during the trying times of the war of 1812, and, when the problem of financial reconstruction was taken up after its close, the new national bank was, by its charter, designated as the legal depository of the government; and the legal currency resolutions of 1817 provided, thereafter, for the receipt by the government of gold and silver coin, treasury notes, and the notes of solvent specie-paying banks only. The resolutions of 1817 remained the legal basis of the treasury operations until 1846, and the United States bank remained the depository of the government until 1833, when the administration, availing itself of a clause in the bank charter, ordered the deposits to be withdrawn and henceforth made with selected state banks. The system of state bank depositories was legalized in 1836, and continued,

without important modification or prolonged interruption, until the definitive establishment of the Independent Treasury in 1846.

The Independent Treasury was the direct fruit of the hard-money policy forced upon the Democratic party by the disastrous experiences attending the entanglement of the government with the banks in the crash of 1837. The complete divorce of bank and state was henceforth proclaimed as a cardinal principle of Democratic policy. The new system, not firmly established until 1846, was designed to secure two ends: the safety of the public money, and the maintenance of the specie standard. The government was to be the actual keeper of its money in its own vaults, and it was to receive and disburse only coin and treasury notes. Down to the civil war the system worked well and fulfilled all the expectations of its founders; the financial relations of the government were then simple, and the scale of its transactions so limited that it imposed no serious strain upon the business community. But it was a system of rigid requirements, and could not readily adjust itself to the unusual circumstances of the civil war. Events then proved stronger than the laws, and the Independent Treasury fairly went to pieces for a while. Within the short space of fifteen months the government suspended specie payment, issued a fiat currency, and established a system of national banking far more powerful than either of the older banks. But more than this, the enlarged scale of the government operations made the Treasury an influence to which the business community could no longer be indifferent. Under the new relations the money market proved to be extremely sensitive to the action of the Treasury; and, from its previous position of security, the business community rapidly grew into one of forced dependence on the daily policy of the Treasury. The very thing which it was sought to avoid by the establishment of the Independent Treasury—non-interference with business interests of the country—has proved to be impossible under a government whose collections and disbursements aggregate hundreds of millions annually. Relations of intimacy and responsibility have, under the pressure of necessity, grown up between the Treasury and the public, and it is contended that the sub-treasury system is no longer an adequate agency for the discharge of the government's responsibilities.

It is to the demonstration of this thesis that the larger portion of Mr. Kinley's study is devoted. In order to determine the limitations of its efficiency, he examines with much minuteness the working of the Independent Treasury, both in times of war and peace, under the

heads: its management of loans, its influence on business, and its relation to crises. The substance of his argument is that the irregular absorptions and disbursements of the Treasury produce arbitrary variations in the amount of money afloat, thus intensifying stringency at times, and at other times giving an unhealthful stimulus to expansion. The pivotal point of his discussion is the somewhat questionable doctrine that "the basis of credit in the business community is the money that makes up the bank reserves" (p. 130). This granted, much of what Mr. Kinley seeks to establish easily follows. But this is a slender basis on which to build large and far-reaching conclusions, and it has given to parts of the argument a somewhat fanciful character. The connection between purchasing power in the form of credit and the bank reserves is not so close and direct a one as is frequently assumed. Capital, rather than money in the vaults of the banks, is the real basis of credit. The most that may be safely assumed is that the supply of money held by the banks as reserve against deposits is one of the important proximate conditions affecting the occasional and transitory fluctuations of credit, but one the range of whose influence seldom extends beyond the limits of the stock market. To what extent the industrial and commercial interests are seriously affected by the movements of speculative prices is a question to be determined as one of fact, and not simply reasoned about; and considering the position of importance it holds in Mr. Kinley's problem, it should have received more careful examination. But however much Mr. Kinley has been led by the too rigorous application of his doctrine of credit to exaggerate the extent and destructiveness of the influence of the sub-treasury system, he has performed an excellent service in carefully analyzing the nature and method of this influence, and in fastening attention on certain points of the system that need amending. He has stated the problem faithfully and concisely when he says that the aim of reform must be "to retain safety and secure elasticity." But his proposed method of meeting the difficulty involves too wide a departure from the existing system, in the large measure of confidence it would repose in the banks, to meet with ready acceptance; and his believing hope in the adequacy of the application of the familiar rule,—to discount freely in the face of a panic, but at such rates as will discourage all but the most necessitous borrowers—to stem the rising tide of panic, seems to have betrayed him into the proposal of innovations in our national banking system that would invite new and, perhaps, worse evils than those it is now designed to prevent.

UNDER the title of "A Brief History of Panics of the United States," Mr. DeCourcy W. Thom has given us, together with some supplementary matter, an English version of so much of Mr. Clement Juglar's well-known work on "Commercial Crises" as deals with the United States. Mr. Juglar's treatment of the subject of American crises is not wholly satisfactory; he has approached it so exclusively from the standpoint of banking as to have lost sight, in many cases, of the real causes of collapse. In his view, a commercial panic always reduces itself to a banking panic, because of the inevitable destruction of bank reserves that attends, and he therefore finds the requisite material for a survey of the history of American panics in bankers' balance sheets. The key to the interpretation of banking statistics is found in the proportion that loans and discounts bear to deposits: a large proportion indicates that danger is near. Mr. Juglar's method of treatment has some advantages, as much may be learned regarding the course and condition of business from an examination of banking returns; but it is doubtful whether these advantages will be appreciated by the reader of the English version. In a book designed for popular instruction the editor should have elucidated so much, at least, of banking principles as would enable the reader to intelligently appreciate the meaning of variations in the more important items of banking accounts. The absence of some such feature as this, together with the many misprints that mar the pages of this book, will greatly diminish its usefulness for the only class of readers it might have served.

Little can be said of the editor's work in other directions. To Mr. Juglar's classification of American panics into panics of circulation, panics of credit, and panics of capital, Mr. Thom adds a fourth class, originating in general tariffs changes. "Any change in our tariff laws general enough to rise to the dignity of a new tariff has, with one exception in our history, precipitated a panic. This exception is the tariff of 1846, which was for revenue only." This view is not a novel one; indeed, it is almost as old as our tariff. It is a view, however, that derives no real support from an examination of our tariff and industrial history, as has been abundantly shown, and proceeds from a very imperfect understanding of the forces that make either for prosperity or depression of business. There is, in truth, about as little connection between crises and tariffs as there is between crises and sunspots. The history of both reveals some rather striking coincidences, but nothing more.

A. C. MILLER,